

# Fiscal Services Division

## Legislative Services Agency

### Fiscal Note

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SF 2063 - Energy Star Appliance Sales & Use Tax (LSB 5928 XS)  
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Fiscal Note Version – New  
Requested by Senator Dennis Black

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#### **Description**

Senate File 2063 exempts purchases of clothes washing machines, refrigerators, and dishwashers meeting Energy Star requirements from State and local option sales tax.

Energy Star is a program established by the Federal Environmental Protection Agency and Department of Energy. The Program identifies appliances meeting specific energy efficiency standards.

#### **Assumptions**

1. The following table provides U.S. Energy Star sales and price estimates.

Appliance	U.S. Annual Sales (Unit)	Energy Star % of Sales	Average Energy Star Price
Clothes Washer	9,060,000	29.0%	\$ 584
Dishwasher	7,424,000	87.0%	474
Refrigerator	11,040,000	38.0%	1,374

2. Iowans purchase 0.95% of appliances sold in the United States.
3. Energy Star percent of sales were taken from data published at [www.northwestenergystar.com](http://www.northwestenergystar.com), upper Midwest region average for fourth quarter 2004.
4. The average price of each type of Energy Star compliant appliance was determined by dividing the models advertised for sale at Lowes.com and Sears.com into quarters based on price. The top priced model in the bottom quarter was determined, and the prices of the two retailers were averaged. Energy Star compliant side-by-side refrigerators, top loading washers, and built-in dishwashers were priced.
5. The State sales/use tax rate is 5.00%.
6. Statewide, local option sales tax revenue averages 1.2%.

#### **Fiscal Impact**

The sales tax exemption contained in SF 2063 would reduce net General Fund revenue by an estimated \$4.8 million per year and local option sales tax revenue by \$1.2 million per year.

#### **Sources**

Association of Home Appliance Manufacturers ([www.aham.com](http://www.aham.com))  
Sears.com (sales price)  
Lowes.com (sales price)  
[www.northwestenergystar.com](http://www.northwestenergystar.com)

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/s/ Holly M. Lyons

February 22, 2006

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The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.

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